

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 7031
AMEMBASSY GUATEMALA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA
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GUATEMALA ALSO FOR ROCAP

EO 11652: N/A

TAGS: ETRD, EINV, ECIN, NU

SUBJECT: PROPOSAL TO PURCHASE UB OPERATIONS

SUMMARY: NICARAGUAN BANKER FERNANDEZ HOLMANN WILL PROPOSE
TO CHIEFS OF STATE OF FIVE CA'S AND PANAMA THAT THEY EXAMINE
POSSIBILITIES OF FORMING CONSORTIUM TO PURCHASE TROPICAL
PRODUCTS MARKETING OPERATIONS PLUS CA PROPERTIES OF UNITED
BRANDS AS BOLD STEP TOWARD RESOLVING CURRENT PROBLEM AND MEETING
REGION'S FUTURE NEEDS. FERNANDEZ HAS TOUCHED BASE WITH PRIVATE
AND PUBLIC SECTOR REPRESENTATIVES IN CONCERNED COUNTRIES. EMBASSY
FASCINATED WITH AUDACITY OF PLAN AND REQUESTS COMMENTS FROM
ADDRESSEES. END SUMMARY

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1. ERNESTO FERNANDEZ HOLMANN, EXECUTIVE DIRECTOR OF NICARAGUA'S
BANCO DE AMERICA, ASKED EMBOFF'S REACTION TO INTRIGUING

PROPOSITION WHICH HE INTENDS TO FLOAT INVOLVING THE DISPOSITION OF UNITED BRANDS PROPERTIES IN CENTRAL AMERICA. FERNANDEZ PLANS TO SEND A LETTER TO THE CHIEFS OF STATE OF THE FIVE CA'S PLUS PANAMA IN THE NEXT FEW DAYS ASKING THEM TO REACT TO A PORPOSAL TO FORM A CENTRAL AMERICAN PRIVATE-PUBLIC CONSORTIUM TO PURCHASE, NOT ONLY THE UB PROPERTIES IN THE REGION, BUT THE ENTIRE UB INTERNATIONAL TROPICAL PRODUCTS MARKETING OPERATIONS. FERNANDEZ POINTS OUT IN THE LETTERS THAT TAKING POSSESSION OF UB LANDS MIGHT ASSUAGE NATIONALISTIC PIQUE, BUT IT WOULD ALSO BRING ABOUT NEEDLESS CONFRONTATION WITH THE UNITED STATES AND WORSE, DO NOTHING ABOUT THE PROBLEM OF DISPOSING OF THE COMMODITIES: CENTRAL AMERICA WOULD WIND UP WITH NOTHING BUT A LOT OF BANANAS TO EAT. INSTEAD, FERNANDEZ SUGGESTS THAT NEGOTIATIONS ENTERED IN GOOD FAITH FOR THE MARKETING FACILITIES WOULD DEMONSTRATE THE EARNESTNESS AND SERIOUSNESS OF THE CENTRAL AMERICANS, AND IF SUCCESSFUL, WOULD TAKE CARE OF IMMEDIATE PROBLEM OF BANANAS WHILE PUTTING PRODUCERS INTO TRADE PROMOTION/MARKETING BUSINESS FOR FIRST TIME IN BIG WAY. HE ALSO SUGGESTS THE VENEZUELAN OIL FUND AS A POSSIBLE SOURCE OF FINANCING.

2. ALTHOUGH FERNANDEZ' PROPOSAL IS IN THE FORM OF A PERSONAL SUGGESTION, HE HAS ALREADY TOUCHED BASE WITH TOP-RANKING GON OFFICIALS, ROBERTO MAYORGA OF SIECA, HONDURAN MINECON, AND INFLUENTIAL MEMBERS OF THE PRIVATE SECTOR IN THE CONCERNED COUNTRIES. PRESIDENTIAL SECRETARY CARLOS DUBON BELIEVES, ACCORDING TO FERNANDEZ, THAT PRESIDENT SOMOZA MIGHT BE WILLING TO RUN WITH THE BALL IN APPROPRIATE CHIEFS OF STATE MEETING IF THE OTHER CHIEF EXECUTIVES REGISTER SOME INTEREST. HOWEVER, THE FEEDBACK THAT HE HAS BEEN GETTING FROM THE CA PRIVATE SECTOR SUGGESTS TO HIM THAT IT MIGHT BE BETTER TO AIM AT MINIMIZING GOVERNMENTAL INVOLVEMENT.

3. FERNANDEZ HAS INVESTIGATED, ALBEIT SUPERFICIALLY, THE UB CORPORATE STRUCTURE, AND BELIEVES THE TRANSFER IS FEASIBLE TECHNICALLY. ALTHOUGH HE HAS NOT SOUNDED OUT ANYBODY AT UB ABOUT IT, HE THINKS THAT THE BELEAGUED UB MIGHT FIND THE PROPOSAL BENEFICIAL. HE ALSO THINKS THAT THE PURCHASERS MIGHT NEED AS LITTLE AS \$150 MILLION UP FRONT TO CONCLUDE THE DEAL. HE EMPHASIZED THAT ALTHOUGH UB LAND WOULD PERFORCE BE INCLUDED LIMITED OFFICIAL USE
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IN THE NEGOTIATIONS, THE MAIN OBJECTIVE IS THE MARKETING OPERATION.

4. EMBOFF TOLD FERNANDEZ THAT SCHEME WAS FASCINATING IF NOTHING ELSE, FOR ITS IMAGINATIVENESS. ALGHOUGH HE WAS TOLD WE DID NOT KNOW ENOUGH ABOUT THE UB SITUATION TO REACT KNOWLEDGABLY, WE WOULD CONVEY THE INFORMATION TO THOSE WHO DID FOR POSSIBLE COMMENT.

5. COMMENT AND REQUEST: FERNANDEZ HOLMANN, WITH IMPRESSIVE

ACADEMIC CREDENTIALS IN INTERNATIONAL BUSINESS AND ECONOMICS FROM HARVARD, IS AT 34 ONE OF CENTRAL AMERICA'S MOST INFLUENTIAL MEMBERS OF THE PRIVATE SECTOR. WE HAVE HEARD RUMORS THE PAST FEW WEEKS CONCERNING DIFFERENT VERSIONS OF HIS PROPOSAL, BUT ARE SURPRISED BY THE BOLDNESS OF THE PLAN. VERY JEALOUS OF HIS PROFESSIONAL REPUTATION, WE DOUBT THAT HE WOULD HAVE TAKEN SUCH A GRANDIOSE SCHEME THIS FAR IF HE HAD NOT RESEARCHED IT AND GIVEN IT CONSIDERABLE THOUGHT FIRST. FOR THESE REASONS WE BELIEVE IT WORTHWILE TO MONITOR THE PROPOSAL AND WOULD WELCOME COMMENTS BY ADDRESSEES.
SHELTON

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